



Community Conversations

Additional Information: *Redevelopment Agency Impact on City Property Taxes*

How Does Morgan Hill's Redevelopment Agency Affect City Property Tax Revenues?

Morgan Hill property owners pay \$53 million per year in property taxes to Santa Clara County. The City of Morgan Hill receives \$4.5 million of the property taxes paid, and the Morgan Hill Redevelopment Agency (RDA) receives approximately \$23 million of the property taxes paid. The remaining taxes fund state and county services, including schools.

How is the RDA funded?

The primary funding source for redevelopment agencies is "Tax Increment." When a redevelopment project area is adopted, a "base year" is established for the assessed value of all the property in the project area. As the assessed value of the properties increases above that established in the base year, all of the additional property taxes generated go to the Redevelopment Agency. This property tax revenue is referred to as "Tax Increment." Morgan Hill's redevelopment agency currently receives approximately \$23 million in Tax Increment funds annually. These funds are used for capital projects, economic development activities, community facilities and affordable housing in Morgan Hill.

Do Schools Lose Money When Redevelopment Agencies are Formed?

Schools and community college districts do not lose any property tax revenue when a redevelopment agency is formed, because the State provides "back fill" funds for any revenue which is redirected to the Redevelopment Agency. Under redevelopment law, school districts actually receive more revenue than they would otherwise because they receive additional revenue designated for school facilities.

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The Community Conversations are a project of the City of Morgan Hill. For more information, see the City's website at www.morgan-hill.ca.gov, send a message to CityTalk@morganhill.ca.gov, or call (408) 779-7271.



What Would Happen if Morgan Hill's Redevelopment Agency Went Away?

If there were no RDA, the \$23 million in property taxes generated in the redevelopment project area would not be paid to the RDA each year. Instead, the \$23 million would be split between the City, County, school district, and other entities, with the City receiving approximately \$2.6 million. However, the City would need to use approximately half of that amount, or \$1.3 million in property taxes, to pay for staff and structural costs currently absorbed by the Redevelopment Agency. About \$1.3 million per year could then be used for general City operating expenses such as public safety and recreation.

Therefore, without the RDA, the City would receive a net of approximately \$5.8 million (\$4.5 million plus \$1.3 million) in property taxes each year. However, the RDA would lose the \$20 million received each year for capital projects, economic development activities and affordable housing projects.

More information about the Morgan Hill Redevelopment Agency is available online at: <http://www.morgan-hill.ca.gov/html/gov/agency.asp>